



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS, TX 75202-2733

SEP 29 2006

CERTIFIED MAIL - RETURN RECEIPT REQUESTED (7099 3220 0001 4432 7908)

Mr. Larry R. Henry
Environmental Consultant
Chevron U.S.A., Inc.
953 Gravier Street, Room 1408
New Orleans, LA 70112

Re: Administrative Order Docket Number CWA-06-2006-1853
NPDES Permit Number GMG290132
Synthetic Based Mud Spill, November 27, 2002, NRC Number 630385

Dear Mr. Henry:

Enclosed is an Administrative Order (AO) issued to Chevron U.S.A., Inc., located in New Orleans, Louisiana, for violation of the Clean Water Act (33 U.S.C. § 1251 et seq.). The non-permitted discharge violation was based on information submitted to the U.S. Environmental Protection Agency (EPA) by the U.S. Coast Guard, and is a result of the spill report you made to the National Response Center (NRC), identified as NRC Number 630385.

The first compliance deadline is within 30 days of receipt of this AO. The AO also contains other compliance deadlines and a penalty settlement offer is enclosed in the amount of \$32,000. The EPA is committed to ensuring compliance with the requirements of the National Pollutant Discharge Elimination System (NPDES) program, and my staff will assist you in any way possible. Please reference AO Docket Number CWA-06-2006-1853 and NPDES Permit Number GMG290132 on your response.

If you have any questions, please contact Mr. Anthony M. Loston, of my staff, at (214) 665-3109.

Sincerely yours,

A handwritten signature in black ink, appearing to read "John Blevins".

John Blevins
Director
Compliance Assurance and
Enforcement Division

Enclosure

cc: Ms. Jane Powers
Petroleum Engineer Manager
U.S. Minerals Management Service
Gulf of Mexico OCS Region
1201 Elmwood Park Blvd., Mail Stop 5240
New Orleans, LA 70123-2394

Lt. Commander David Beck
U.S. Coast Guard
MSO Morgan City
800 David Drive
Morgan City, LA 70380

Mr. Richard Britt
HES Team Leader
Chevron U.S.A., Inc.
953 Gravier Street
New Orleans, LA 70112



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Region 6 • 1445 Ross Avenue, Suite 1200 • Dallas, TX 75202-2733

FINDINGS OF VIOLATION and ORDER FOR COMPLIANCE

Docket Number: CWA-06-2006-1853, NPDES Permit Number: GMG290132

Statutory Authority

The following Findings are made, and Order issued, under the authority vested in the Administrator of the United States Environmental Protection Agency (EPA), by Sections 308(a) and 309(a) of the Clean Water Act (herein "the Act"), 33 U.S.C. §§ 1318(a) and 1319(a). The Administrator of EPA has delegated the authority to issue this Order to the Regional Administrator of EPA Region 6, who has further delegated this authority to the Director of the Compliance Assurance and Enforcement Division.

Findings

1. Chevron U.S.A., Inc. (herein "Respondent") is a corporation, which was incorporated under the laws of the State of Delaware, and as such, is a "person," as that term is defined at Section 502(5) of the Act, 33 U.S.C. § 1362(5), and 40 C.F.R. § 122.2.

2. At all times relevant to this Order, the Respondent owned or operated an oil and gas extraction facility in the Green Canyon lease area, block 596, in the Gulf of Mexico, (herein "the facility"), and was, therefore, an "owner or operator" within the meaning of 40 C.F.R. § 122.2.

3. At all relevant times, the facility was a "point source" of a "discharge" of "pollutants" with its wastewater to the receiving waters of the Gulf of Mexico, which is a "waters of the United States" within the meaning of Section 502 of the Act, 33 U.S.C. § 1362, and 40 C.F.R. § 122.2.

4. Because the Respondent owned or operated a facility that is a point source of discharges of pollutants to waters of the U.S., the Respondent and the facility were subject to the Act and the National Pollutant Discharge Elimination System (NPDES) program.

5. Under Section 301 of the Act, 33 U.S.C. § 1311, it is unlawful for any person to discharge any pollutant from a point source to waters of the United States, except with the authorization of, and in compliance with, an NPDES permit issued pursuant to Section 402 of the Act, 33 U.S.C. § 1342.

6. On November 27, 2002, the Respondent had an approximate 642 barrel discharge of synthetic based mud as a result of equipment failure. The Respondent reported the discharge to the National Response Center (NRC), and was assigned NRC Number 630385.

7. Respondent's discharge of pollutants to waters of the United States on November 27, 2002, without NPDES authorization, was a violation of Section 301 of the Act, 33 U.S.C. § 1311.

Order

Based on the foregoing Findings and pursuant to the authority of Sections 308(a) and 309(b) of the Act, EPA hereby orders the Respondent to take the following action:

A. Within thirty (30) days of the effective date of this Order, the Respondent shall take the necessary corrective action to eliminate and prevent recurrence of the violations cited herein.

B. Within thirty (30) days of the effective date of this Order, the Respondent shall submit a written report detailing the specific actions taken to correct the violations cited herein and explaining why such actions are anticipated to be sufficient to prevent recurrence of these or similar violations.

C. In the event that the Respondent believes complete correction of the violations cited herein is not possible within thirty (30) days of the effective date of this Order, the Respondent shall, within thirty (30) days of the effective date of this Order, submit a comprehensive written plan for the elimination of the cited violations within the shortest possible time. Such plan shall describe in detail the specific corrective actions to be taken and why such actions are sufficient to correct the violations. The plan shall include a detailed schedule for the elimination of the violations within the shortest possible time, as well as measures to prevent these or similar violations from recurring.

D. Respondent shall identify all economic benefits gained by non-compliance and specify the financial amounts gained by non-compliance including, but not limited to such items as capital costs, training costs, operation and maintenance costs, administrative costs, and analytical costs.

E. If Respondent would like to arrange a meeting with EPA to discuss the allegations in this Order, it should contact EPA within forty-five (45) days of the effective date of this Order. The meeting will be held at the Region 6 offices, 1445 Ross Ave., Dallas, Texas, and the Respondent can provide any information it believes is relevant to this Order. Respondent shall submit to EPA all information or materials it considers relevant to EPA at least ten (10) days prior to the meeting.

F. To arrange a meeting, or to ask questions or comment on this matter, please contact Mr. Anthony M. Loston, of my staff, at (214) 665-3109.

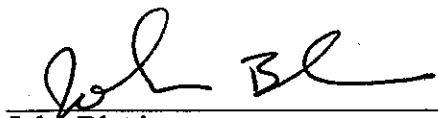
The effective date of this Order is the date it is received by the Respondent.

G. Any information or correspondence submitted by the Respondent to EPA under this Order shall be addressed to the following:

Ms. Sharon Haggard
Water Enforcement Branch (6EN-WC)
EPA, Region 6
1445 Ross Ave., Suite 1200
Dallas, TX 75202-2733

Date

9/28/06


John Blevins
Director
Compliance Assurance and
Enforcement Division

General Provisions

Issuance of this Order shall not be deemed an election by EPA to forego any administrative or judicial, civil or criminal action to seek penalties, fines, or any other relief appropriate under the Act for the violations cited herein, or other violations that become known. EPA reserves the right to seek any remedy available under the law that it deems appropriate.

Failure to comply with this Order or the Act can result in further administrative action, or a civil judicial action initiated by the U.S. Department of Justice. If the United States initiates a civil judicial action, Respondent will be subject to civil penalties of up to \$32,500 per day per violation.¹

This Order does not constitute a waiver or modification of the terms or conditions of the Respondent's NPDES permit, which remains in full force and effect. Compliance with the terms and conditions of this Order does not relieve the Respondent of its obligations to comply with any applicable federal, state, or local law or regulation.

¹ The civil penalty amounts that can be assessed under Section 309 of the Clean Water Act were amended by the Civil Monetary Penalty Inflation Adjustment Rule (61 Fed. Reg. 69359, December 31, 1996, as corrected in 62 Fed. Reg. 13514, March 20, 1997) effective June 1, 1997; under the Debt Collections Improvement Act of 1996, 31 U.S.C. § 3701, et. seq., for all violations occurring or continuing after January 30, 1997.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6

1445 ROSS AVENUE, SUITE 1200

DALLAS, TEXAS 75202-2733

JAN 09 2007

CERTIFIED MAIL: RETURN RECEIPT REQUESTED (7099 3220 0001 4432 8028)

Mr. Larry R. Henry
Environmental Consultant
Chevron U.S.A., Inc.
953 Gravier Street, Room 1408
New Orleans, LA 70112

Re: Settlement Agreement - Consent Agreement and Final Order
Administrative Penalty Docket Number CWA-06-2007-1714
Administrative Order Docket Number CWA-06-2006-1853
NPDES Number GMG290132
National Response Center Number 630385

Dear Mr. Henry:

This is to acknowledge receipt of the Settlement Agreement that you signed regarding the November 27, 2002, offshore mud spill of approximately 642 barrels to the Gulf of Mexico. As no comments were received from the general public during the thirty (30) day public notice period, the Environmental Protection Agency (EPA) hereby issues this Final Consent Agreement and Final Order.

The Consent Agreement and Final Order shall become effective thirty (30) days after the date of filing with the Hearing Clerk. In your settlement, you certify that your facility is now in compliance. Based upon this certification, EPA hereby closes the above-referenced Administrative Order.

If you have any questions regarding this matter, please contact Mr. Anthony M. Loston, of my staff, at (214) 665-3109.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mike Michaud", is written over the typed name.

Mike Michaud

Chief

Water Enforcement Branch

Enclosure

cc: w/complaint - Regional Hearing Clerk

Ms. Jane Powers
Petroleum Engineer Manager
U.S. Minerals Management Service
Gulf of Mexico OCS Region
1201 Elmwood Park Blvd., Mail Stop 5240
New Orleans, LA 70123-2394

Lt. Commander David Beck
U.S. Coast Guard
MSO Morgan City
800 David Drive
Morgan City, LA 70380

Mr. Richard Britt
HES Team Leader
Chevron U.S.A., Inc.
953 Gravier Street
New Orleans, LA 70112



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

Region 6 • 1445 Ross Avenue, Suite 1200 • Dallas, Texas 75202-2733

GULF OF MEXICO - OFFSHORE - SETTLEMENT AGREEMENT

Docket Number: CWA-06-2007-1714, NPDES Permit Number: GMG290132

Chevron U.S.A., Inc. (herein the "Respondent") is a "person," within the meaning of § 502(5) of the Act, 33 U.S.C. § 1362(5), and 40 C.F.R. § 122.2.

By its signature, Complainant ("EPA") finds that Respondent has committed the following violation:

On November 27, 2002, the Respondent had an approximate 642 barrel discharge of synthetic drilling mud as a result of equipment failure. The Respondent reported the discharge to the National Response Center (NRC), and was assigned NRC Number 630385.

Respondent had an unauthorized discharge in violation of Section 301(a) of the Clean Water Act ("the Act" or "CWA"), 33 U.S.C. § 1311.

EPA finds, and Respondent admits, that Respondent is subject to Section 301(a) of the Act, 33 U.S.C. § 1311, and that EPA has jurisdiction over the allegations and any "person" who "discharges pollutants" from a "point source" to "waters of the United States." Respondent neither admits nor denies the allegation(s) specified herein.

EPA is authorized to enter into this Consent Agreement and Final Order ("CAFO") under the authority vested in the Administrator of EPA by Section 309(g)(2)(A) of the Act, 33 U.S.C. § 1319(g)(2)(A), and by 40 C.F.R. § 22.13(b). The parties enter into this CAFO in order to settle the civil violation(s) specified herein for a penalty of thirty-two thousand dollars (\$32,000.00). Respondent consents to the assessment of this penalty, and waives the right to contest the allegation(s) specified herein, and waives the right to appeal.

Additionally, Respondent certifies, subject to civil and criminal penalties for making a false statement to the United States Government, that it has corrected any deficiencies identified herein, and to the best of its knowledge, is in compliance with the National Pollutant Discharge Elimination System permitting program. Respondent also certifies that it has sent a bank, cashiers or certified check for the amount specified above, payable to the "Treasurer, United States of America" to:

U.S. EPA, Region 6

Docket No.: CWA-06-2007-1714

P.O. Box 371099M

Pittsburgh, PA 15251

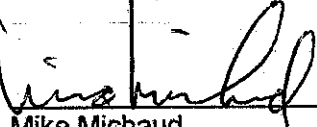
Respondent shall write the docket number of this case on the penalty payment check. This CAFO, along with a photocopy of your check, is to be returned to the address at the top of this document.

This CAFO settles EPA's civil penalty claims against Respondent for the CWA violation(s) described herein. However, EPA does not waive its rights to take any

enforcement action against Respondent for any other past, present, or future civil or criminal violation of the Act or of any other federal statute or regulation, and does not waive its right to issue a compliance order for the violation(s) described herein. EPA has determined this CAFO to be in the public interest, and Respondent agrees.

This CAFO is binding on the parties signing below and effective thirty (30) days from the issuance date, which is the date when it is filed with the Hearing Clerk, unless a petition to set aside the Order is filed by a commenter pursuant to § 309(g)(4)(C) of the Act, 33 U.S.C. § 1319(g)(4)(C) and Part 22. If Respondent does not sign and return this CAFO as presented within 30 days of the date of its receipt, the proposed CAFO is withdrawn without prejudice to EPA's ability to issue any order or file any enforcement action for the violation(s) identified in the Form.

APPROVED BY EPA:



Mike Michaud
Chief
Water Enforcement Branch

Date: 12/1/06

APPROVED BY RESPONDENT in accordance with 40 C.F.R. §122.22:

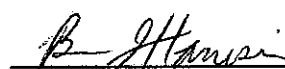
Name (print): BRIAN SMITH for PAUL SEEGEL

Title (print): VP DWEP

Signature: 

Having determined that this CAFO is authorized by law and is in the public interest,

It is so ordered:


John Blevins
Director /
Compliance Assurance and
Enforcement Division/
Regional Judicial Officer

Date: 1-8-07

CERTIFICATE OF SERVICE

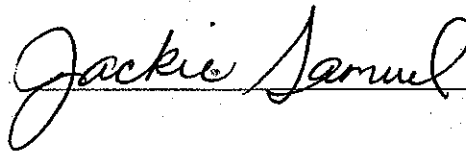
I hereby certify that on the _____ day of JAN 09 2007, 2007, the original of the foregoing Consent Agreement and Final Order was hand delivered to the Regional Hearing Clerk, U.S. EPA, Region 6 (6RC-D), 1445 Ross Avenue, Suite 1200, Dallas, Texas 75202-2733, and that a true and correct copy was placed in the United States Mail, by certified mail, return receipt requested, addressed to the following:

Mr. Larry R. Henry
Environmental Consultant
Chevron U.S.A., Inc.
953 Gravier Street, Room 1408
New Orleans, LA 70112

with a copy, first class postage prepaid, to

Lt. Cmdr. David Beck
U.S. Coast Guard
MSO Morgan City
800 David Drive
Morgan City, LA 70380

Ms. Jane Powers
U.S. Minerals Management Service
1201 Elmwood Park Blvd., Mail Stop 5240
New Orleans, LA 70123-2394

_____



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 6
1445 ROSS AVENUE, SUITE 1200
DALLAS, TEXAS 75202-2733

July 2, 2010

CERTIFIED MAIL – RETURN RECEIPT REQUESTED: 7008 0150 0003 0411 6730

Mr. Tearle W.T. Harlan, Counsel
Environmental Practice Group
Law Department
Chevron U.S.A. Inc.
1400 Smith Street, 7th Floor
Houston, TX 77002

Re: Chevron U.S.A. Inc.
Self-Disclosure of Violations
Docket Number CWA-06-2010-1874
NPDES Permit Numbers GMG290128 and GMG290132

1 – Permit/NOI/NOT
2 – AO/APO/CD Mail
3 – DMRS
4 – NERs
5 – Correspondence
6 – CRAS
7 – Accordion File
Date Filed
Clerk's Initials

Dear Mr. Harlan:

Enclosed is a Notice of Determination (NOD) issued to Chevron U.S.A. Inc., by the Environmental Protection Agency (EPA), under EPA's "Self-Disclosure Policy" (April 11, 2000). This NOD is based on the voluntary disclosures made to EPA on October 13, 2009.

Based upon the written information submitted, EPA has determined that Chevron U.S.A. Inc. has met all nine conditions of the Self-Policing Policy and qualifies for 100% mitigation of the gravity portion of the penalty. EPA has determined that the economic benefit gained as a result of noncompliance is insignificant; therefore, at its discretion, EPA has waived the collection thereof.

Please note that this matter has been designated with the Docket Number referenced above to document resolution of the disclosed violations in EPA's Compliance Assurance and Enforcement program. Please contact Robert Houston at (214) 665-8565 for technical questions, and Rusty Herbert at (281) 983-2218 for any legal questions.

Sincerely,

Esteban Hernandez

for John Blevins
Director
Compliance Assurance and
Enforcement Division

Enclosure

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION 6
DALLAS, TEXAS

IN THE MATTER OF:

Chevron U.S.A. Inc.

NPDES Permit Nos. GMG290128
and GMG290132

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DOCKET NO. CWA-06-2010-1874

NOTICE OF DETERMINATION

Pursuant to the "Revised Final Policy on Incentives for Self-Policing: Discovery, Disclosure, Correction, and Prevention of Violations" (65 *Fed. Reg.* 19618, April 11, 2000) ("Audit Policy"), the United States Environmental Protection Agency, Region 6 ("EPA") hereby issues this Notice of Determination to Chevron U.S.A. Inc., Houston, Texas ("Chevron"), regarding Chevron's disclosed violations of the Clean Water Act ("CWA"), 33 U.S.C. § 1251, *et seq.*

I. SELF-DISCLOSURE POLICY

EPA issued the Self-Disclosure Policy to encourage regulated entities to voluntarily discover, disclose, correct, and prevent violations of Federal environmental requirements. As an incentive for regulated entities to participate in the Self-Disclosure Policy, EPA may substantially reduce or eliminate the gravity component of the civil penalties where the conditions specified in the Self-disclosure Policy are met. EPA retains the full discretion, however, to recover any economic benefit gained as a result of the noncompliance. Where the disclosing party establishes that it has satisfied all nine

conditions listed below, EPA will not seek gravity-based penalties for the violations of federal environmental requirements.

The conditions are:

- (1) Discovery of the violation(s) through an environmental audit or due diligence;
- (2) Voluntary disclosure;
- (3) Prompt disclosure;
- (4) Discovery and disclosure independent of government or third party Plaintiff;
- (5) Correction and remediation;
- (6) Prevent recurrence;
- (7) No repeat violations;
- (8) Other violations excluded; and
- (9) Cooperation.

II. FINDINGS OF FACT

On October 13, 2009, Chevron submitted a Voluntary Disclosure to EPA.

Chevron sent these disclosures regarding possible violations of the CWA and associated National Pollutant Discharge Elimination System ("NPDES") program.

On September 23, 2009, during communications with drill ship personnel, the audit team confirmed that toxicity tests were not being conducted on freshwater chemically-treated mud pump cooling water discharges. Because of inadvertent oversight, 33 quarterly toxicity tests were missed between November 2004 and June 2009.

In its October 13, 2009, disclosure, Chevron described and explained how it had met all nine conditions under the EPA's Self-Disclosure Policy.

On February 26, 2010, Chevron submitted a follow-up letter regarding the Voluntary Disclosure. Based on further analysis of the details of the mud pumps' operations and the EPA regulations, applicable guidance, and development documents for

offshore sources, Chevron has determined that a more appropriate classification of the water discharge identified in the October letter is Deck Drainage.

On April 2, 2010, Chevron submitted a second follow-up letter regarding the Voluntary Disclosure. Based on further analysis of the details of the mud pumps' operations and of EPA regulations, deck drainage is a more appropriate classification for the liner flush water. The deck drainage category requires monitoring for free oil, but not toxicity.

III. EPA FINAL DETERMINATION

EPA has reviewed Chevron's disclosure. Based upon Chevron's Self-Disclosure and EPA's review of Chevron's history of compliance regarding the disclosed violations, EPA finds that Chevron has satisfied all nine conditions of the Self-Disclosure Policy and qualifies for 100% mitigation of the gravity portion of the penalty regarding the disclosed violations in the October 13, 2009, disclosure. Therefore EPA will not assess any gravity-based penalty for the disclosed violations.

In making this determination and consistent with the purposes of the Self-Disclosure Policy, EPA expects Chevron to institute, on a continuing and company-wide basis, the internal policies and procedures necessary to prevent a recurrence of violations of environmental requirements.

Dated: 7/2/10

By: Esteban Heru
For John Blevins
Director
Compliance Assurance and
Enforcement Division